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**NEW ROCHELLE COUNTRY CLUB OWNER, SONS INDICTED
BY FEDERAL GRAND JURY ON TAX EVASION CHARGES**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, MICHAEL J. THOMAS, Special Agent in Charge of the New York Field Office of the IRS, and PASQUALE D'AMURO, the Assistant Director in Charge of the New York Field Office of the FBI, announced that a 14-count Indictment was returned today in Manhattan federal court charging MICHELINO MORELLI, a/k/a "Michael Morelli," and his sons, JOSEPH MORELLI and MICHAEL MORELLI, JR. (together the "MORELLIS"), with tax evasion and other related charges arising from a scheme to defraud the IRS of income derived by the defendants from VIP Beach and Tennis Club, Ltd. ("VIP Beach and Tennis"), a private country club and catering facility located on Davenport Neck in

New Rochelle, New York.

According to the Indictment, MICHELINO MORELLI, an owner and the general manager of VIP Beach and Tennis Club since 1996, and his sons, JOSEPH MORELLI and MICHAEL MORELLI, JR., who also worked as managers at VIP Beach and Tennis Club, regularly siphoned off cash proceeds from the country club and failed to report the cash proceeds as income to the IRS.

The Indictment further alleges that from 1997 to 2000, MICHELINO MORELLI under-reported personal income by more than \$650,000; from 1997 to 2000, JOSEPH MORELLI under-reported personal income by more than \$165,000; and from 1998 to 2000, MICHAEL MORELLI, JR. under-reported personal income by more than \$55,000.

Also according to the Indictment, the MORELLIS failed to report the cash proceeds to the accountant for VIP Beach and Tennis Club, who prepared both the corporate tax returns for VIP Beach and Tennis Club and the personal income tax returns for each of the MORELLIS. As a result, the corporate tax returns for VIP Beach and Tennis Club, which were subscribed to by MICHELINO MORELLI, falsely under-reported the gross income of the business for the years 1997 to 2000 by more than \$870,000.

Finally, the Indictment alleges that, from 1997 to 2001, MICHELINO MORELLI made more than 220 cash deposits totaling more than \$750,000 in proceeds from VIP Beach and Tennis into his personal bank accounts, or accounts of his family members, in amounts of \$10,000 or less in order to avoid federal currency

transaction reporting requirements.

The Indictment charges MICHELINO MORELLI with four counts of personal income tax evasion for the years 1997 to 2000, three counts of subscribing to a false tax return for VIP Beach and Tennis Club for the years 1998 to 2000, and one count of structuring financial transactions. The Indictment charges JOSEPH MORELLI and MICHAEL MORELLI, JR. each with three counts of personal income tax evasion for the years 1998 to 2000.

If convicted, MICHELINO MORELLI faces a maximum penalty of 34 years' imprisonment and a fine of \$950,000; JOSEPH MORELLI faces a maximum penalty of 15 years' imprisonment and a fine of \$300,000; and MICHAEL MORELLI, JR. faces a maximum penalty of 15 years' imprisonment and a fine of \$300,000.

MICHELINO MORELLI, 64, lives in the Bronx, New York.

JOSEPH MORELLI, 40, lives in New Rochelle, New York.

MICHAEL MORELLI, JR., 34, lives in Lindenhurst, New York.

Mr. KELLEY praised the efforts of the IRS and the FBI in this case and said the investigation is continuing.

Assistant United States Attorneys TIMOTHY J. TREANOR and LISA A. BARONI are in charge of the prosecution.

The charges contained in the indictment are merely accusations, and the defendants are presumed innocent until and unless proven guilty.

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